

## Message Text

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PAGE 01 NOUAKC 00542 041125Z  
ACTION AF-10

INFO OCT-01 EUR-12 NEA-10 ISO-00 IO-13 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
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R 021500Z MAR 78  
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AMEMBASSY MADRID  
AMEMBASSY PARIS  
AMEMBASSY RABAT  
USMISSION USUN  
CINCEUR

C O N F I D E N T I A L NOUAKCHOTT 542

CIVBEUTS FOR POLAD

E.O. 11652: GDS  
TAGS: ECON, EMIN, MR, EEC, ETRD  
SUBJ: EEC TO COMPENSATE MAURITANIA FOR LOSSES IN IRON ORE EXPORT  
RECIPTS

REF: (A) NOUAKCHOTT 290(NOTAL, (B) BRUSSELS 2364(NOTAL),  
(C) NOUAKCHOTT 269(NOTAL).

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1. BEGIN UNCLASSIFIED -SUMMARY - IN ACCORDANCE WITH PROVISIONS  
OF 1975 LOME CONVENTION, MAURITANIA WILL PROBABLY BE PROVIDED  
BETWEEN 5 AND 10 MILLION DOLLARS TO COVER 1977 SHORTFALL OF  
RECEPTS OF MAURITANIAN IRON ORE EXPORTS TO EEC COUNTRIES. END  
SUMMARY

2. AS SIGNATORY TO 1975 LOME CONVENTION, MAURITANIA IS ELIGIBLE TO BENEFIT FROM TITLE 2 PROVISIONS (STABILIZATION OF EXPORT EARNINGS--STABEX). 1975 LOME CONVENTION SET ASIDE 375 MILLION EUROPEAN UNITS OF ACCOUNT (ONE UNIT EQUALS APPROXIMATELY 1.22 DOLLARS) FOR IMPLEMENTATION OF STABEX PROVISIONS DURING FIRST FIVE YEARS OPERATION. THESE FUNDS ARE TO BE USED TO COMPENSATE BENEFICIARY COUNTRIES FOR ANY REDUCTION IN EXPORT EARNINGS OF SPECIFIED COMMODITIES INCLUDING IRON ORE (IRON ORE ACCOUNTS FOR APPROXIMATELY 80 PERCENT MAURITANIAN EXPORT EARNINGS). ACCORDING TO EUROPEAN DEVELOPMENT FUND (FED) STATISTICS, 57 MILLION UNITS WERE EXPENDED IN 1975, 75 MILLION UNITS IN 1976 AND APPROXIMATELY 108 MILLION UNITS COULD BE AVAILABLE FOR 1977 (1/5 OF 5-YEAR TOTAL PLUS 18 MILLION NOT USED IN 1975 PLUS 15 MILLION ADVANCE USE AGAINST 1978 QUOTA). IF TOTAL BENEFICIARY CLAIMS FOR 1977 ARE UNUSUALLY LARGE, THEN STABILIZATION FUND COULD COMPENSATE EACH APPLICANT COUNTRY FOR ONLY A PORTION OF ITS TOTAL CLAIM IN ORDER TO STAY WITHIN TOTAL 1977 AVAILABILITY.

3. MAURITANIAN IRON ORE EXPORT EARNINGS FOR 1977 WERE APPROXIMATELY 127 MILLION DOLLARS BELOW THE AVERAGE FOR PREVIOUS FOUR YEARS (BASE FOR CALCULATING REDUCED EARNINGS IN APPLICANT YEAR IS AVERAGE OF PREVIOUS FOUR YEARS). ACCORDING TO SOCIETE NATIONALE INDUSTRIELLE ET MINIERE (SNIM) OFFICIALS, IRON ORE EXPORT TONNAGE FIGURES WERE: 1977 8,420,000; 1976 9,664,008; 1975 8,677,054; 1974 11,665,891; 1973 10,331,438. IN ADDITION, CONFIDENTIAL

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PRICE OF IRON ORE IN 1977 WAS MARKEDLY REDUCED FROM PREVIOUS YEARS. APPROXIMATELY 75-80 PERCENT OF ALL MAURITANIAN IRON ORE EXPORTS IS DESTINED FOR EEC MEMBERS. EXACT AMOUNT OF 1977 SHORTFALL OF EXPORTS TO EEC COUNTRIES IS DIFFICULT TO ESTIMATE BECAUSE STATISTICIANS AND ACCOUNTANTS MUST MAKE THOROUGH REVIEW OF ALL EXPORT FIGURES AND CALCULATION IS COMPLICATED BY FLUCTUATING CURRENCY FACTOR IN DETERMINING EXACT VALUE OF EACH SHIPMENT. UNCLASSIFIED. BEGIN CONFIDENTIAL - DEPUTY REPRESENTATIVE OF FED, NOUAKCHOTT OFFICE, TOLD ME THAT HE WOULD ESTIMATE FIGURE TO BE OVER FIVE MILLION DOLLARS WHILE SEC GEN OF SNIM SUGGESTED PRIVATELY THAT FIGURE COULD BE SLIGHTLY LESS THAN TEN MILLION DOLLARS. END CONFIDENTIAL.

4. BEGIN UNCLASSIFIED - ONLY PUBLICATION WE HAVE SEEN RECENTLY WHICH REFERS TO STABEX PROVISIONS AS THEY RELATE TO MAURITANIAN IRON ORE EXPORTS WAS SHORT 2-PARAGRAPH INSERT IN THE FEB 17, 1978 ISSUE OF MARCHES TROPICAUX. ARTICLE REFERS TO REAFFIRMATION BY EEC COMMISSIONER CLAUDE CHEYSSON THAT THE EEC WOULD REIMBURSE MAURITANIA IF IRON ORE RECEIPTS FALL IN 1978. CHEYSSON'S STATEMENT WAS MADE TO MAURITANIAN RADIO REPRESENTATIVE DURING MAURITANIAN PRESIDENT OULD DADDAH'S FEB 1978 VISIT TO EEC HEADQUARTERS (REF A AND B). CHEYSSON SPECIFIED THAT REIMBURSEMENT

WAS QUOTE A DEFINITIVE GIFT, NON-REIMBURSABLE, FROM THE EEC TO MAURITANIAN END QUOTE.

5. COMMENT: ALTHOUGH ACTUAL TRANSFER OF FUNDS TO MAURITANIA FOR 1977 SHORTFALL COULD PROBABLY NOT TAKE PLACE BEFORE LATE SUMMAER 1978 DUE TO EXTENSIVE DATA CALCULATION REQUIRED, EVENTUAL REIMBURSEMENT WILL OF COURSE BE WELCOMED BY MAURITANIA TO ASSIST WITH ITS LIQUIDITY PROBLEMS. GIRM MINISTER SIDI CHEIKH OULD ABDALLAHI IS KEY SENIOR MAURITANIAN OFFICIAL WHO HAS BEEN INVOLVED IN THIS SUBJECT SINCE 1975. HE WAS A MAURITANIAN REPRESENTATIVE TO 1975 LOME CONVENTION, MEMBER OF FAQ 1978 MAURITANIAN DELEGATION TO EEC, AND JAN 1978 MAURITANIAN DELEGATION TO PARIS MEETING WHICH APPROVED FINANCING FOR GUELBS PROJECT (REF C). ACCORDING TO FED OFFICIAL, IN 1977 GUM ARABIC WAS ADDED TO LIST  
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OF BASIC COMMODITIES COVERED BY TITLE 2 AND THUS MAURITANIAN SHOULD ALSO RECEIVE LIMITED REIMBURSEMENT FOR SHORTFALL. WITH CONCERN SHOWN BY MAURITANIAN, ARAB AND EUROPEAN LEADERS FOR THE EVIDENT VULNERABILITY OF IRON ORE EXPORT OPERATION TO POLISARIO ATTACK, IT MUST BE SOMEWHAT COMFORTING TO KNOW THAT STABX PROVISIONS OF LOME CONVENTION ARE BEING APPLIED AND WILL HELP STABLIIZE MAURITANIAN EXPORT EARNINGS PICTURED. END UNCLASSIFIED.

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## Message Attributes

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